



Wellness and Nutrition Services, Office of the Chief Operating Officer

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## MEMORANDUM

To: School Food Authorities

From: **Lindsey Palmer**  
Lindsey Palmer, RDN, LD  
School Programs Manager

Date: August 20, 2015

Re: Options to Utilize USDA Food Entitlement Funds

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### State Agency Memo

#### NSLP #21-15 FD#1-15

The purpose of this memo is to clarify how an eligible School Food Authority (SFA) may utilize USDA Food Entitlement funds to offset some of the cost of preparing National School Lunch Program (NSLP) reimbursable meals (Breakfasts, Lunches and Afterschool Snacks). This is made possible by using a SFAs allocated entitlement funding to purchase and receive quality USDA Food for use in the preparation of meals. An SFA would otherwise have to pay full commercial prices for all food from other sources as part of its' nonprofit school food service. The savings is the total value of all USDA Food received by the SFA.

USDA Foods are geared towards self-prep SFAs, however, an SFA served by a meal provider (Vendor or Food Service Management Company (FSMC)) may also benefit under the right conditions. SFA's may utilize entitlement funds with any combination of the options below:

1. **Direct delivery of Bulk USDA Foods** - An SFA may order from a variety of bulk USDA Foods for direct delivery such as dry, canned, frozen, and refrigerated foods including cheeses, meats, grains, fruits, and vegetables. Minimum order amounts are one-quarter of an 18-wheeler truckload per stop. SFAs can combine orders to meet the minimum amounts if a suitable common destination can be agreed upon. The following link lists all of the available USDA Foods.

[http://www.fns.usda.gov/sites/default/files/fdd/USDA\\_Foods\\_Available\\_List\\_SY15-16.pdf](http://www.fns.usda.gov/sites/default/files/fdd/USDA_Foods_Available_List_SY15-16.pdf).

*All bulk USDA Food orders must be submitted to and approved by the State Agency for completion in the USDA Web Based Supply Chain Management System (WEBSCM).*

- SFAs served by an eligible meal provider may also utilize this option if the meal provider either receives the bulk USDA Food directly at one of its contracted

facilities or if the SFA turns over USDA Foods to its meal provider for the preparation of reimbursable meals after first being received at one of the SFA's facilities. *This requires additional State Agency approval and additional documentation by both the SFA and meal provider.*

2. **Processor Diversion** - SFAs may order from a variety of bulk USDA Foods to be delivered to one or more State Agency approved food processors. Food processors typically take one or more USDA Food items as the primary ingredient then add additional food components and spices, prepare, and package a variety of Child Nutrition (CN) labeled finished end-products and deliver them to the desired location. The types processed end-products include, but are not limited to, apple sauce, egg patties, chicken tenders, beef patties, pizza, cheese sticks, etc. The following link lists all of the processors currently approved by USDA.

[http://www.fns.usda.gov/sites/default/files/fdd/SY16\\_Approved\\_Processor\\_List.xlsx](http://www.fns.usda.gov/sites/default/files/fdd/SY16_Approved_Processor_List.xlsx)

- Processors charge a *Fee-For-Service (FFS)* for this process which is normally its contracted commercial price minus the total value of all USDA Foods used for each item.
- One of the benefits of using processors is the reduction meal preparation time. Many items are usually pre-portioned, shelf stable, ready to serve, or simply need to be heated prior to serving. The most common use of processors is for 'center of the plate' meal components. Minimum order quantities of processed end-products vary with each processor.
- Items ordered and shipped directly from a processor tend to cost less than the same items ordered and shipped from a distributor, however the minimum quantity to order may be substantially higher when coming directly from a processor. When processed end-products are ordered through a distributor, the distributor may also impose minimal order requirements. However, these are usually less restrictive than when ordering directly from a processor. For example, a processor may have a two pallet minimum order requirement, while a distributor may only have a one pallet requirement which may include several different items.
- **The FFS may be billed by the processor or distributor depending on the value pass through method used.** *Each SFA should convey to the State Agency its desired food processors as soon as possible as the additional steps of ensuring processors are setup to receive USDA Foods should be done prior to the submission and approval of orders in WEBSCM.*
- SFAs served by an eligible meal provider may, with State Agency approval, choose to allow its' meal provider to coordinate with the State Agency to select the desired USDA Foods and/or processors. This will allow the meal provider to place orders as needed to best fit the planned menus. With this option the meal provider normally engages in securing the contracts and/or agreements with distributors and processors and covers all associated fees. The meal provider simply passes on the USDA Foods value to the SFA as a credit. *This requires additional State Agency approval and additional documentation by both the SFA and meal provider.*

3. **Department of Defense Fresh Fruit and Vegetables Program (DoD Fresh)** - SFAs may order fresh produce for direct delivery through DoD Fresh. As with all USDA Foods, this seasonal produce comes from US growers only, with some local options when available. This fresh produce can be *directly delivered weekly to each desired location without any additional charges*. Large orders are not required however; there is a minimum \$50 order value per delivery. An SFA may choose to have some or all of its' Entitlement funds loaded into the DoD/USDA Fresh Fruit and Vegetable Ordering System (FFAVORS), which is used to place and track all DoD Fresh orders.
- This option is ideal for *self-prep SFAs* and is the easiest to implement. An SFA simply needs to obtain FFAVORS credentials to begin placing orders.
  - When utilizing DoD Fresh, an SFA may also elect to, with State Agency approval, transfer some or all its' Entitlement funds to a FFAVORS account setup for the meal provider. This will allow the meal provider to place orders as needed to best fit the planned menus. The meal provider simply passes on the USDA Foods value to the SFA as a credit. *This requires additional State Agency approval and additional documentation by both the SFA and meal provider.*
  - Under special conditions an SFA served by a meal provider may also order DoD fresh produce for use in a salad bar, with State Agency approval, provided the SFA ensures that, the USDA Food components, when combined with what the meal provider supplies, still meet NSLP requirements. *Additional documentation such as recipes may be required.*

**NOTE: USDA Regulations require that an SFA *must* be credited for the full value of all USDA Foods (including DoD Fresh produce) its meal provider receives on its behalf plus any additional credits or discounts the meal provider may receive as a result of using USDA Foods.** The crediting *must* be done at least annually (crediting monthly is strongly recommended) and by the end of the school year. The crediting must be done whether or not all USDA Foods (or processed end-products made with USDA Foods) were used in the meals provided during the year. In the case of processed end-products, the value of USDA Foods returned in those items may not be the same as the value at which the entitlement was used to purchase them. Please contact this office for clarification on the values you should expect to be returned to you.

Regardless of the option(s) chosen, each SFA will be responsible for providing adequate storage as for the items it receives on its premises as well as storage facilities as appropriate for all USDA Foods to be store off-site. An SFA may delegate responsibility of off-site storage of USDA Foods to its meal provider by agreement. All storage areas should meet or exceed the more restrictive of the USDA standards of 7 CFR §250.14 and DC Department of Health standards.

Each SFA receiving direct delivery of bulk and/or processed items will also be responsible for any associated processor, distributor, and/or warehouse/storage contracts or agreements and/or fees; unless the items are first received by a meal provider in which case the meal provider may be responsible by agreement.

**NOTE: All SFA procurement related to the use and storage of USDA Food is subject to the more restrictive of the federal procurement regulations (including 7 CFR §210, 220, 250, and 3016.36) and District of Columbia Laws regarding school related operations.**

If an SFA is interested in any of above options, the Food Distribution Program specialist should be contacted as soon as possible to discuss the next steps.

As with NSLP regulations, each SFA is required to maintain all records and associated documentation related to the receipt and storage of USDA Foods for a period of at least three years after the end of the school year or longer if an investigation is pending.

Additionally, SFAs are required to maintain documentation indicating the total value of all USDA Foods received during each school year. SFA contracts/agreements with others who handle USDA Food on its' behalf should also include the same or more strict record retention provisions.

Thank you for your continued participation in the National School Lunch and Food Distribution Programs. If you have any questions or concerns regarding the Food Distribution Programs, please contact Mr. Major Langford at (202) 724-7865 or by email at [major.langford@dc.gov](mailto:major.langford@dc.gov).